

P 251506Z MAR 09
FM AMEMBASSY KIGALI
TO SECSTATE WASHDC PRIORITY 5974
INFO AMEMBASSY ADDIS ABABA
AMEMBASSY BRUSSELS
AMEMBASSY BUJUMBURA
AMEMBASSY DAR ES SALAAM
AMEMBASSY KAMPALA
AMEMBASSY KINSHASA
AMEMBASSY LONDON
AMEMBASSY NAIROBI
AMEMBASSY PARIS
AMEMBASSY PRETORIA

UNCLAS KIGALI 000181

DEPT PASS TO DOC/FCS/NAIROBI JSULLIVAN
DEPT PASS TO FAS NAIROBI

E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [EFIN](#) [PGOV](#) [EINV](#) [USAID](#) [RW](#)
SUBJECT: PYRETHRUM: BACK TO THE FUTURE?

¶1. (U) Summary: Rwandan production of pyrethrum, a natural insecticide that has been a key Rwandan export crop since 1937, collapsed in 2007/8 due to the country's sole refiner mismanaging suppliers and buyers. From a peak of 1,350 tons in 2006, production slipped to less than 220 tons in 2008. Now under new management, the refinery is seeking to rebuild its supply base and restore confidence with former buyers. At current market prices of over \$200 per kilo for refined product, pyrethrum offers local and regional farmers a lucrative cash crop. It also presents Rwanda with a chance to expand its export base and the government a way to increase rural employment. End summary.

What is Pyrethrum?

¶2. (U) Pyrethrum is a Chrysanthemum-related flower that produces a powerful natural insecticide (pyrethrin) that attacks the nervous system of insects. Among pyrethrum positive attributes, it has little effect on mammals, does not enter the food chain and is biodegradable. It is considered among the safest insecticides available for uses that involve contact with humans, animals or use around food products. Pyrethrum is one of the few insecticides approved for use on organic farms in Europe and the U.S. Applications include insect repellents, flea and tick control and in foggers in food storage areas.

Unsatisfied World Demand

¶3. (U) According to a March 2009 report by the USAID-funded Sustaining Partnerships to Enhance Rural Enterprise and Agribusiness Project (SPREAD), the potential demand for products that can be formulated with pyrethrum is huge, but difficult to estimate due to persistent shortages that have forced many manufacturers to switch to synthetic compounds. Even with unreliable production, the world market for pyrethrum is estimated at \$40-50 million, only 50 percent of which is satisfied by current production. Growing worldwide demand for "green" products could open new markets for pyrethrum.

Rwanda Climate Ideal for Growing

¶4. (U) Pyrethrum production was introduced to East Africa during the 1930-40's for use by the allied armies. The plant thrives in the fertile volcanic soils, low night temperatures, good rainfall and ample sunshine that are found in the East African highlands of Kenya, Tanzania, Rwanda and eastern Democratic Republic of Congo (DRC). Kenya has

traditionally been the largest source of pyrethrum, accounting for between 60-85 percent of total world production between 1940-2006. Australia, Rwanda and Tanzania account for most of the remaining production. There are only five pyrethrum refiners in the world including two in Kenya and one in Rwanda. Experts consider the recently upgraded Rwandan refinery to be the most efficient in the world.

15. (U) Ten thousand metric tons (m/t) of dried pyrethrum flowers are needed to produce 200 m/t of refined pyrethrum extract with 50 percent active ingredients (pyrethrins). At optimum yields one hectare can produce 1,000 Kg of dried flowers. Currently, refined pyrethrum sells at \$200-220 per kilo. Due to the high quality of its pyrethrum flowers and efficiency of its refinery, Rwanda is potentially able to produce pyrethrum with 75-80 percent active ingredients, the highest in the world.

Poor Management/Declining Production

16. (U) Production of pyrethrum has declined dramatically in Rwanda (and Kenya) over the last few years. Rwandan production declined from 1,350 m/t (of dried flowers) in 2004 to 209 m/t in 2008. (Note: Production in Kenya reportedly declined from 2,300 m/t of (dried flowers) in 2005 to 70 m/t in 2008. End Note). Societe de Pyrethre au Rwanda (SOPYRWA - Rwanda pyrethrum refinery) is the only buyer of dried pyrethrum flowers in Rwanda. Production declined largely because farmers were not paid for their crops by the sole buyer and as a result switched to other cash crops like potatoes.

17. (U) Properly managed, pyrethrum offers a higher return to farmers than potatoes. But unlike potatoes, pyrethrum poses more economic risk to farmers because there is only one buyer, the flowers cannot be consumed as a subsistence crop and maximum yields per hectare are not achieved until the third year of production. Farmers in Rwanda are paid \$2 per Kg of dried flowers. Currently, due to uncertain selling conditions and poor husbandry, farmers are producing an average of 250 Kg per hectare compared to 1,000 Kg they could potentially produce with better land management.

18. (U) Financial mismanagement at SOPYRWA in 2002-2008 led to cash shortages in the refinery, farmers not being paid, buyers not being supplied and SOPYRWA's failure to invest in new seed stocks, extension services and refinery maintenance. As a result, SOPYRWA was unable to produce or ship millions of dollars of confirmed orders to key buyers such as American-owned Valent BioSciences, Whitmeyer and SC Johnson. As production declined and debts accumulated, the company faced bankruptcy.

Rwandan Refinery Under New Management

19. (U) In June 2008, SOPYRWA was acquired by Horizon Ltd., a private company with links to the Rwandan government and military that invests in distressed businesses in strategic economic sectors. Horizon has brought in new management and capital and is seeking to increase refining of dried flower stock to 1,800 m/t's by 2012. At current market prices this represents sales of \$6-7 million annually and would support an estimated 8,000 rural farm families. Sopyrwa has a production capacity of 3-4,000 m/t (about \$15 million in sales) that could be expanded further if adequate stock of dried flowers were available. John Zigira, CEO of Horizon, said because SOPYRWA failed to honor commitments to farmers and buyers, he now has to restore trust with them and rebuild the company. Zigira admitted financing the rebuilding of SOPYRWA remains a challenge as the company is deeply in debt.

10. (U) The new General Manager of SOPYRWA, David Rwiyamirira, told emboffs that by introducing extension

services and better planing and production controls, Horizon hopes to help farmers increase yields to over 800 Kg per hectare by 2013 and increase the active ingredients in dried flowers 60 percent by introducing new seedlings and better drying stations. Horizon also hopes to tap new sources of dried pyrethrum flowers in the eastern DRC (Note: SOPYRWA bought 500 m/t of dried pyrethrum from the DRC in 2008 and believes this region could be an important source of raw materials for the refinery. End Note). Rwiya mirira agreed with Zigira that sourcing financing has been difficult. He noted local farmers have been fully paid for past purchases Qnoted local farmers have been fully paid for past purchases but the company lacks sufficient funds to invest in new seed stocks and adequately support needed extension services. Rwiya mirira added new financing is urgent as this year's crop must to be planted in April for SOPYRWA to meet production targets.

Opportunity Knocking

¶11. (U) Comment: With Kenyan production in decline and world demand for natural pyrethrum increasing, Rwanda has an opportunity to take a leading position in world pyrethrum production and sales. If it is able to build a reputation as a reliable supplier, demand for Rwandan refined pyrethrum could grow even further, providing lucrative income for thousands of rural families and opening opportunities for expanded trade with the eastern DRC. It also opens up opportunities for possible downstream production of added-value finished insecticide products for the regional market.

SYMINGTON